

## Message Text

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44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-03 ACDA-05

NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00 SAJ-01

DODE-00 H-02 NSC-05 SS-15 EB-07 FRB-03 OMB-01 COME-00

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R 181652Z JUN 75

FM USMISSION NATO

TO SECSTATE WASHDC 2341

INFO AMEMBASSY MOSCOW

LIMITED OFFICIAL USE USNATO 3327

E.O. 11652: N/A

TAGS: NATO, ECON, USSR

SUBJ: ECONADS - UK PAPER ON INFLATION IN USSR

1. UK DEL HAS CIRCULATED TO OTHER ECONOMIC COMMITTEE MEMBERS INTERNAL WORKING PAPER PREPARED IN UK DEPARTMENT OF ECONOMIC INTELLIGENCE ON SUBJECT OF INFLATION IN USSR, WITH PROPOSAL THAT SUBJECT OF INFLATION UNDER COMMUNISM, IN BOTH USSR AND EASTERN EUROPE, BE DISCUSSED AT A FUTURE COMMITTEE MEETING.
2. UK DEL'S COVER NOTE MAKES FOLLOWING OBSERVATIONS: "WESTERN MEDIA SOMETIMES IMPLY THAT INFLATION DOES NOT EXIST IN A COMMUNIST SYSTEM. WHILE THEIR INFLATION IS NOT AT PRESENT AS HIGH AS IN SEVERAL WESTERN COUNTRIES, THIS IS OF COURSE ACHIEVED AT THE COST OF TIGHT STATE CONTROL OF THE ECONOMY, WITH RESULTING SHORTAGES ON THE ONE HAND, GLUTS OF UNSALEABLE GOODS ON THE OTHER, LARGE SUBSIDIES, AND A APARALLEL MARKET THE EXTENT OF WHICH IS HARD TO GAUGE, ALONG WITH OTHER FORMS OF REPRESSED AND DISGUISED INFLATION. THE PROBLEM IS PROBABLY WORSE FOR EAST EUROPE THAN RUSSIA. INDEED INFLATION AND THE NEW CEMA PRICES MAY INDUCE THE EAST EUROPEAN COUNTRIES TO ALTER THE PATTERN OF THEIR FOREIGN TRADE, INCREASING INTER-CEMA ACTIVITY, ALTHOUGH THEY WOULD HAVE TO TRY TO BALANCE THIS WITH THEIR LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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CONTINUING NEED TO IMPORT HIGH TECHNOLOGY ITEMS FROM THE WEST."

4. MISSION SENDING COPIES OF UK PAPER TO DEPARTMENT (RPE/WOLFE

AND EUR/SOV/KOVNER) AND TO EMBASSY MOSCOW (ECONOMIC SECTION)  
FOR INFO. WOULD WELCOME COMMENT FOR OUR USE IN EXPECTED  
ECONOMIC COMMITTEE CONSIDERATION HERE.STREATOR

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 18 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975NATO03327  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 APR 2003 by ElyME>; APPROVED <01 MAY 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONADS - UK PAPER ON INFLATION IN USSR  
**TAGS:** NATO, ECON, USSR  
**To:** STATE INFO MOSCOW  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006